

COMMISSION DIRECTIVE

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|------------------------|-------------------------------------|------------|--------------------------|
| ADMINISTRATIVE MATTERS | <input type="checkbox"/> | DATE | <u>November 28, 2007</u> |
| MOTOR CARRIER MATTERS | <input type="checkbox"/> | DOCKET NO. | <u>2007-229-E</u> |
| UTILITIES MATTERS | <input checked="" type="checkbox"/> | | <u></u> |

SUBJECT:

DOCKET NO. 2007-229-E - Application of South Carolina Electric and Gas Company for Adjustments and Increases in Its Electric Rate Schedules and Tariffs – Discuss this Matter with the Commission.

COMMISSION ACTION:

In its Application for Adjustments and Increases in the Company's Electric Rate Schedules and Tariffs, South Carolina Electric & Gas Company (SCE&G) sought a return on equity of 11.75% and a retail revenue increase of \$118.1 million. Also, SCE&G sought an extension until December 31, 2015 for the period over which it may apply the accelerated capital cost recovery mechanism to its Cope Generating Station. In addition to the Office of Regulatory Staff, the Federal Executive Agencies (FEA), CMC Steel South Carolina (CMC Steel), the South Carolina Energy Users Committee (SCEUC), Wal-Mart Stores East, LP (Wal-Mart), the Kroger Company (Kroger), and Frank Knapp, Jr. intervened. CMC Steel later withdrew its intervention. Virtually every interest group was represented by the intervenors.

The parties agreed to accounting adjustments and an 11.0% return on equity and lowered the retail revenue increase by \$41.2 million (nearly 35%) to \$76.9 million. The lowered retail revenue would have reduced the return on equity from 11.75% to 10.7% during the test year. The parties also supported the extension of the capital cost recovery mechanism until December 31, 2015, and a 2.46% depreciation rate for automated meter reading assets.

Based on the written and oral testimony of the witnesses, it is my opinion that the accounting adjustments are just and reasonable, an 11.0% return on equity is just and reasonable, and, therefore, the resulting retail revenue requirement which generates a 10.7% return on equity for the test year is just and reasonable. The testimony also revealed that the proposed rate design is based on cost of service and is expected to move all customer classes toward the retail return on rate base of 8.62%.

Mr. Chairman, based on the totality of the record, I move that the Commission find the following just and reasonable:

- the accounting adjustments in ORS witness Scott Exhibit SGS-2,
- an 11.0% return on equity,
- a retail revenue increase of \$76.9 million (65% of original request),
- a 2.46% depreciation rate for automated meter reading assets,
- an extension until December 31, 2015 of the accelerated capital cost recovery mechanism for the Cope Generating Station, and
- the proposed rate design.

Also, I move the Commission adopt the settlement agreement signed by all parties as being in the public interest and order the parties to abide by all terms of the settlement agreement.

PRESIDING

Hamilton

MOTION

YES

NO

OTHER

APPROVED

☐

APPROVED STC 30 DAYS

☐

ACCEPTED FOR FILING

☐

DENIED

☐

AMENDED

☐

TRANSFERRED

☐

SUSPENDED

☐

CANCELED

☐

SET FOR HEARING

☐

ADVISED

☐

CARRIED OVER

☐

RECORDED BY

JBS

CLYBURN

☐☒☐

FLEMING

☐☒☐

HAMILTON

☐☒☐

HOWARD

☐☐☐

Absent

MITCHELL

☐☒☐

MOSELEY

☐☒☐

WRIGHT

☒☒☐

Session: Regular

Time of Session 2:30 PM

Commissioner Howard was on Family Sick Leave